

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2004-13-E - ORDER NO. 2004-294
OCTOBER 11, 2004

IN RE:	Request of South Carolina Electric & Gas)	ORDER APPROVING
	Company to Capitalize a Portion of the Cost)	CAPITALIZATION OF A
	of Fuel Consumed in the Production of Test at)	PORTION OF THE COST
	the Jasper Generating Facility currently under)	OF FUEL CONSUMED IN
	Construction.)	THE PRODUCTION OF
)	TEST POWER AT THE
)	JASPER GENERATING
)	FACILITY

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the request of South Carolina Electric & Gas Company (“SCE&G” or the “Company”) for approval of SCE&G’s capitalizing of a portion of the cost of fuel consumed in the production of test power at SCE&G’s Jasper generating facility.

The Jasper Plant is a new facility which was still under construction when the Company filed this Application in January 2004, but began producing test power in November, 2003. The Jasper Plant is composed of three gas-fired combustion turbine generators, three heat recovery steam generators, and one steam turbine generator. In its Application, the Company stated that during the testing phase of this new plant that it would be necessary to operate these units at high levels of production for extended periods. By operating the plant in this manner, SCE&G stated that the costs of the test power would exceed the average cost of power produced by the remainder of the

Company's system. Through the Company's fuel adjustment clause, these incremental costs would result in under-collected fuel costs being greater than they otherwise would be. SCE&G stated that it would prefer to mitigate the impact of these fuel costs on its customers by this proposition of an alternative accounting treatment.

Specifically, the Company proposed that it be allowed to calculate the amount by which the cost of test power generated at the Jasper Plant exceeds the average cost of power produced by the remainder of the Company's generating system and capitalize it as a component of the cost of constructing the facility. The Company claims that in this manner its under-collected fuel costs will not be affected by the additional costs associated with the production of test power. As the Jasper Plant began producing test power in November, 2003, the Company requests that the requested accounting treatment be applied to the period beginning with November, 2003, and continuing through the time that the Jasper Plant begins commercial operation.

The Company points out in its Application that this Commission has previously provided for a similar accounting treatment in Docket No. 2002-422-E, Order No. 2002-872 with regard to the Company's re-powered Urquhart Facility.

Based upon the facts set forth in SCE&G's Application and upon consideration of the applicable statutes and regulations, the Commission makes the following findings and conclusions:

FINDINGS OF FACT

1. SCE&G proposes that it be allowed to capitalize a portion of the cost of fuel consumed in the production of test power at its Jasper Generating Facility.

2. We find that, more specifically, the Application proposes that the Company be allowed to calculate the amount by which the cost of test power generated by the Jasper Plant exceeds the average cost of power produced by the remainder of the Company's generating system and capitalize it as a component of the cost of constructing the Jasper Plant.

3. By permitting such an accounting, the Commission finds that the Company's under-collected fuel costs will not be affected by the additional costs associated with the production of test power at the Jasper Plant.

4. We find that permitting the capitalization requested by the Company is in the best interest of the Company and its ratepayers as in so doing the Company will mitigate the impact of the additional fuel costs on its customers.

CONCLUSIONS OF LAW

1. We conclude that S.C. Code Ann. Section 58-27-1540 (1976), which requires that the Commission "establish a system of accounts to be kept by electrical utilities subject to its jurisdiction and it may require the manner in which the accounts shall be kept," provides this Commission with the authority to approve the accounting treatment requested by the Company in this matter.

2. We further conclude that the approval of the requested accounting treatment is in keeping with prior Orders of this Commission, as most recently expressed in Docket No. 2002-422-E, Order No. 2002-872.

3. The Commission concludes that approval of the requested accounting treatment does require a determination of SCE&G's entire rate structure and overall rate of return.

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED THAT:

1. SCE&G's requested capitalization of a portion of the cost of fuel consumed in the production of test power at the Jasper Generating Facility is approved.

2. This Order shall be effective upon the date of issuance.

3. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

/s/
Randy Mitchell, Chairman

ATTEST:

/s/
G. O'Neal Hamilton, Vice Chairman

(SEAL)